

REPORT OF THE EXECUTIVE OFFICER  
State Allocation Board Meeting, November 26, 1996

CLASS SIZE REDUCTION PROGRAM

PURPOSE OF REPORT

To present a proposal for supporting the Class Size Reduction Program through the Lease-Purchase Program.

DESCRIPTION

Senate Bill 1789 (Greene) established the Class Size Reduction (CSR) Facilities Funding Program (Chapter 23, Sections 17770-17777) and appropriated \$200 million to the California Department of Education (CDE) for the additional teaching stations needed to reduce class size. Elements of this Program were clarified by Senate Bill 1414 (Greene). The \$200 million appropriated is to be awarded in increments of \$25,000 for each eligible teaching station to school districts implementing the CSR Program. The CDE has received eligible applications for a total of \$351 million.

At the September 25, 1996, meeting, the State Allocation Board (SAB) allocated \$95 million to the State Relocatable Classroom Program to support CSR. Subsequently, the Office of Public School Construction (OPSC) submitted a proposal to implement CSR through the State Relocatable Program at the SAB meeting on October 23, 1996. Provisions of the State Relocatable Classroom Program allows the SAB to establish eligibility criteria, set yearly lease payments, determine cost and reimbursement allowances related to relocatable classrooms. The major constraint in the State Relocatable Classroom Program is the timeline necessary to bid, manufacture and deliver these classrooms which is at least six months. At the October 23, 1996 meeting, the SAB directed the OPSC to research different options beyond the State Relocatable Classroom Program for allocation of the funds set aside for CSR.

Legal Counsel has evaluated the feasibility of creating a program within the Lease-Purchase Program that will allow for bond funds to be disbursed as a grant in \$25,000 increments to compliment CDE's program. Those findings are noted below.

LEGAL ANALYSIS

Under the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Greene Act), the SAB can modify its calculation requirements for adequate school construction for purposes of qualification under the program to take into consideration the change in the pupil loading standards created by the CSR Program.

The SAB may make other administrative changes to focus on projects aimed at CSR as long as the projects meet the statutory restrictions of the Greene Act. The SAB cannot transfer Proposition 203 bond funds to the CDE for use as grants under the CSR Facilities Funding Program because Proposition 203 does not authorize the SAB to transfer funds to the CDE for that purpose.

(Continued on Page Two)

### STAFF COMMENTS

The OPSC has developed a proposal to support CSR through the Lease-Purchase Program by apportioning increments of up to \$25,000 per eligible classroom. The following proposal has been discussed and agreed to by the CDE:

Within the CDE's list, the first \$295 million of eligible CSR Facilities Funding Program applicants that also meet the legal requirements of the Lease-Purchase Program would be asked to complete a self-certifying application (Form SAB 506CSR) for the Lease-Purchase Program.

These applicants have received approval for Lease-Purchase Program projects after January 1, 1989, and therefore, meet the legal requirements of the Lease-Purchase Program.

The OPSC will present an item at the December 17, 1996, SAB meeting that identifies \$95 million in apportionments for those districts that have completed the application noted above. All remaining eligible applicants within the first \$295 million may receive CSR facilities funding from the CDE.

For the purposes of this \$95 million, the SAB will need to adopt the provisions outlined in Division 1, Part 10, Chapter 23 of the Education Code (Sections 17770-17777) relating to the CSR Program.

Funds apportioned through the Lease-Purchase Program must be used for eligible project costs. Districts are advised that lease payments on classrooms are not deemed an allowable expenditure under the Lease-Purchase Program and all expenditures of funds are subject to audit.

The proposed timeline for application submittal and apportionment of funds, for those districts that complete this application and are deemed eligible, is as follows:

- the OPSC will mail the eligible districts a letter with the self-certification application for the Lease Purchase CSR Program on November 27, 1996.
- at the December 17, 1996 SAB meeting, an item will be presented for specific district apportionments and subsequent release of funds.

### RECOMMENDATIONS

1. Redirect the \$95 million allocated to the State Relocatable Classroom Program to the Lease-Purchase Program for the support of the CSR Program.
2. Adopt the provision outlined in Division 1, Part 10, Chapter 23 of the Education Code (Sections 17770-17777) relating to the CSR Program only for the allocation of this \$95 million.
3. Approve Form SAB 506CSR as the mechanism whereby CSR projects are funded under the Lease-Purchase Program.
4. Direct the OPSC to advise districts that lease payments on classrooms are not allowable expenditures under the Lease-Purchase Program.